

# From FX to High-Yield Bonds: Global Electronic Trading Update

July 27, 2018

Executive Summary:



Q3 2018

Electronic trading is growing marketwide, although top-line growth in the past two years has slowed from revolutionary to evolutionary. The most electronic markets, FX and index CDS, are likely near their e-trading limits on the surface. In the coming years, however, they will see more innovation, as liquidity venues and market participants improve upon existing processes.

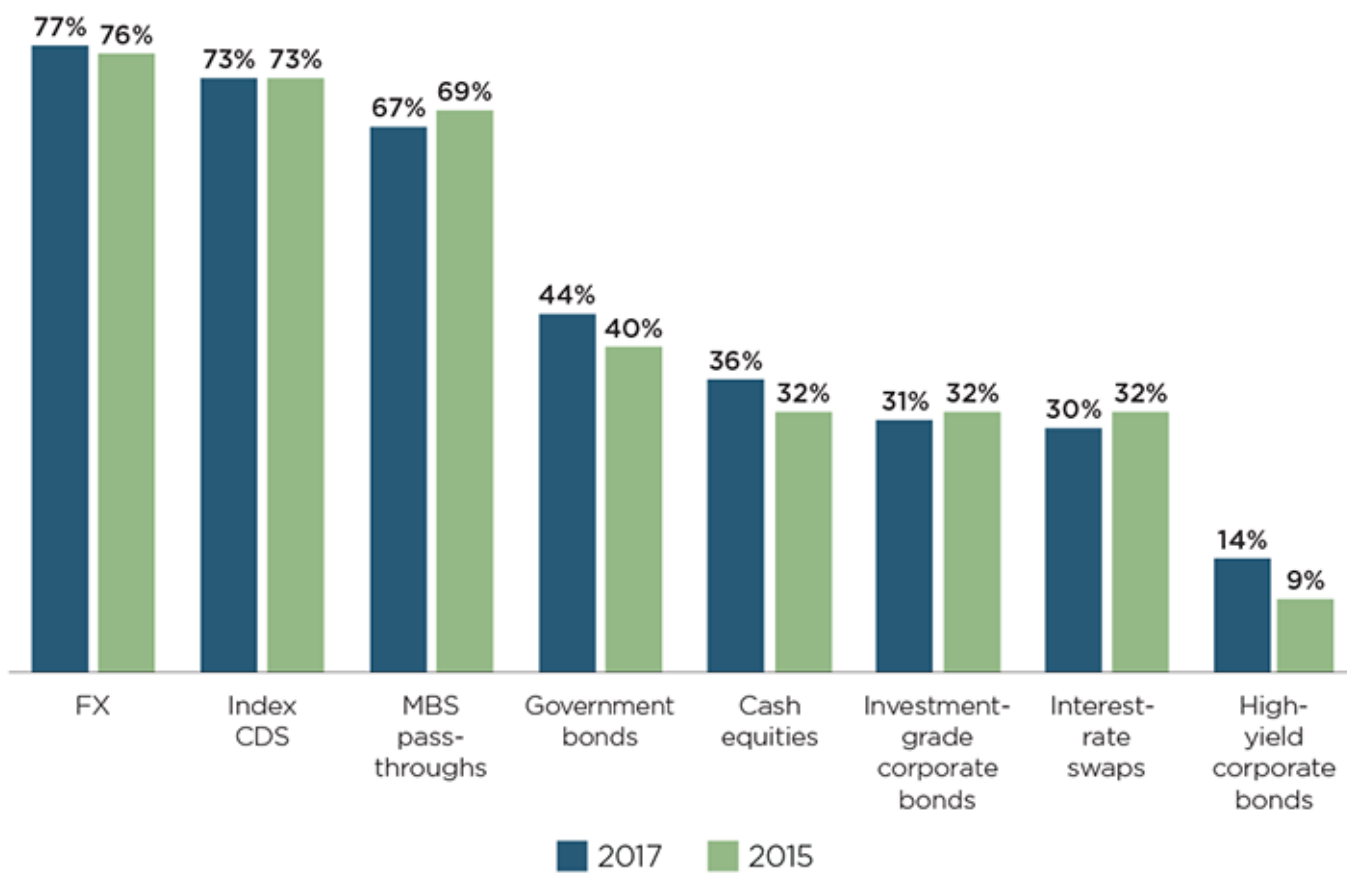


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Less electronic markets, namely high-yield corporate bonds, have appeared nascent compared to other electronic markets such as equities. In fact, they are growing faster than the rest and are seeing the benefits of some of the most creative thinking in the capital markets.

## PROPORTION OF GLOBAL BUY-SIDE TRADING VOLUME EXECUTED ELECTRONICALLY



Note: Based on 3,933 fixed-income respondents globally in 2015 and 3,556 in 2017; 2,489 foreign-exchange respondents globally in 2015 and 2,358 in 2017; 2,481 equity respondents globally in 2015 and 1,972 in 2017.  
Sources: Greenwich Associates 2015 and 2017 Asian, European and North American Fixed Income Studies; 2015 and 2017 Global Foreign Exchange Studies; 2015 and 2017 Asian, European and North American Equities Studies

Other notable developments:

- After nearly a decade of little change in execution channel selection, equity markets are seeing e-trading via execution algorithms, smart order routers and direct market access tick up. MiFID II is likely a big component of the move—one that is still playing out, as the ramifications of the new rules are yet to be seen.
- Government bonds, particularly U.S. Treasuries, are also seeing a surge of electronic innovation. The flash rally of 2015, coupled with the more recent acquisition of NEX Group by CME, has created a renewed focus by market participants on how and where they trade. With MiFID II thrown into the mix, e-trading growth in the government bond market is all but certain.

It is important to note that electronic trading comes in many different forms and is defined differently in different markets. The high-speed, order book nature of equities, for instance, holds few if any similarities to the request-for-quote-driven corporate bond market. But that is a good thing, as different markets need different trading technologies to transform them into their most efficient selves.

Going forward, the impact of regulatory changes on electronic trading adoption should wane, while organic supply and demand should grow. Market participants in areas that have seen opportunity from electronification will continue to see more. Where technology has felt like an undue burden, relationships and phones will still reign.



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#### Methodology:

Throughout 2017, Greenwich Associates conducted interviews with nearly 8,000 institutional investors around the world, active in fixed income, foreign exchange or equities. Study participants were asked about their usage of electronic trading channels.



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